GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:387
ANSWERED ON:16.07.2002
NEW POLICY NORMS FOR FERTILIZER POLICY
GOWDAR MALLIKARJUNAPPA

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether the Union Government have decided to recover Rs. 1,062 crore from thefertilizer industry as a result of the new policy norms;

(b) if so, whether the Union Government have also decided to implement therecommendations of the Expenditure Reforms Commission headed by Finance Secretary;

(c) whether under the aforesaid scheme, the urea industry is going to be totally decontrolled from pricing, sales and distribution from the next fiscal; and

(d) if so, the extent to which the said policy is likely to be beneficial?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI TAPAN SIKDAR)

(a): Policy parameters for 7th and 8th pricing periods under the existing RetentionPrice Scheme (RPS) have been approved by the competent authority on 16.5.2002 and which have also been communicated to all urea companies on 4.6.2002. The 7th pricing period will cover the period from 1.7.1997 to 31.3.2000 whereas the 8th pricing period will cover the period from 1.4.2000 to 31.3.2003 or till new pricing policy comes into existence whichever is earlier. The final unit-wise determination of retention prices based on approved parameters would entail updating the norms of the various units in respect of salaries & wages, utilities, repairs & maintenance, capital additions, foreign exchange fluctuations etc., that were not updated since 1.7.1997 and this may lead to recoveries in some cases and payments in some other cases.

(b) to (d): Government is at present in the process offormulating a new pricing policy for urea units keeping in view the recommendations of Expenditure Reforms Commission for replacing the existing RPS. Proposal is at present under consideration of Group of Ministers. The proposed policy would be in the shape of Group ConcessionScheme and will aim at uniformity and greater transparency in disbursement of subsidy payments and will further induce urea manufacturers to take cost reduction measures on their own and be competitive.